

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-02 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-02 DLOS-09
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 6734

UNCLAS SECTION 01 OF 02 OTTAWA 01399

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJECT: BAY OF FUNDY - TIDAL POWER

FOR EUR/CAN, OES/NET, DOE/SIEVERING, DOE/VANDERRYIN

REF: HALIFAX 146

1. AT THE FEDERAL-PROVINCIAL "SUMMIT CONFERENCE" OF FIRST MINISTERS HELD FEBRUARY 13-15, 1978, ALASTAIR GILLESPIE, MINISTER OF ENERGY, MINES AND RESOURCES, LISTED THE FUNDY TIDAL DEVELOPMENT AMONG THE CANADIAN ENERGY-RELATED PROJECTS AND STATED THAT PHASE I OF A FEASIBILITY STUDY WAS COMPLETE AND THAT THE BAY OF FUNDY TIDAL REVIEW BOARD WOULD RECOMMEND PHASE II LATER IN FEBRUARY.

2. ON 15 MARCH A REPORT TITLED "REASSESSMENT OF FUNDY TIDAL POWER" WAS MADE PUBLIC IN OTTAWA, FREDERICTON, AND HALIFAX. THE REPORT IS FAVORABLE TOWARD ECONOMIC FEASIBILITY OF FUNDY TIDAL POWER. THE FEDERAL GOVERNMENT AND TWO MARITIME PROVINCES (NEW BRUNSWICK AND NOVA SCOTIA) HAVE SAID THEY HAVE ACCEPTED THE
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RECOMMENDATIONS OF THIS STUDY AND INTEND TO PROCEED WITH PHASE II, THE DESIGN AND ENGINEERING OF AN INITIAL, SINGLE-BASIN TIDAL POWER DEVELOPMENT TO BE LOCATED IN CUMBERLAND BASIN.

3. THE COST OF PHASE II, A THREE-YEAR PROGRAM, IS ESTIMATED AT \$33 MILLION (CANADIAN) WITH HALF OF THE

FUNDS BEING PUT UP BY THE FEDERAL GOVERNMENT AND HALF BY THE TWO PROVINCES. THE FEDERAL GOVERNMENT IS PREPARED TO PROCEED IMMEDIATELY AND THE PREMIERS OF THE PROVINCES ARE EACH SEEKING \$8.25 MILLION COMMITMENTS FROM THEIR RESPECTIVE LEGISLATURES, TO MOVE AHEAD RAPIDLY. ONE POSSIBLE IMPEDIMENT TO A QUICK START, MENTIONED IN REFTTEL, IS THAT THE MARITIME ENERGY CORPORATION (A JOINT FEDERAL-PROVINCIAL ORGANIZATION), WHICH WILL OVERSEE THE STUDY, IS YET TO BE FORMED.

4. ASSUMING THAT PHASE II PROCEEDS ON SCHEDULE, THAT THE RESULTS OF THE ENGINEERING AND DESIGN STUDY ARE STILL FAVORABLE, THAT FUNDING FOR CONSTRUCTION IS AVAILABLE, AND THAT CONSTRUCTION PROCEEDS RAPIDLY, A PROJECTED COMPLETION DATE OF 1990 HAS BEEN GIVEN. THIS PLANT WOULD HAVE A POWER OUTPUT OF 1085 MWE AND IS ESTIMATED TO COST \$1.3 BILLION (1977 DOLLARS) OR \$3.1 BILLION (WITH INFLATION), IF COMPLETED BY 1990.

5. A FINAL DECISION ON THE CONSTRUCTION PHASE (PHASE II) WON'T COME UNTIL MID-1981, ACCORDING TO GILLESPIE. HOWEVER, HE SAID: "WHEN THREE GOVERNMENTS ARE WILLING TO COMMIT \$30 MILLION, BASED ON A FAVORABLE REPORT, THERE IS GOOD REASON TO BELIEVE IT (PHASE III) WILL GO AHEAD."

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6. COMMENTS: THE STUDY RELEASED ON 15 MARCH IS ONE OF A LONG SERIES OF STUDIES OF THE POSSIBILITY OF HARNESSING THE HYDROELECTRIC POTENTIAL OF THE HIGH TIDES IN THE BAY OF FUNDY, INCLUDING STUDIES OF SPECIFIC SITES SUCH AS PASSAMAGUODDY BAY (MAINE) AND CUMBERLAND BASIN (BETWEEN NOVA SCOTIA AND NEW BRUNSWICK). STUDIES WERE MADE BY THE U.S. GOVERNMENT AT LEAST AS FAR BACK AS PRESIDENT ROOSEVELT'S ADMINISTRATION. THE RESULTS OF THESE PAST STUDIES, FROM AN ECONOMIC FEASIBILITY STANDPOINT, HAVE ALL RANGED FROM "EXTREMELY MARGINAL" TO "VERY NEGATIVE," COMPARED TO OTHER METHODS OF GENERATING ELECTRICITY, INCLUDING CONVENTIONAL HYDROELECTRIC DAMS, COAL AND OIL-FIRED PLANTS, AND NUCLEAR POWER STATIONS. FACTORS CONTRIBUTING TO THE UNFAVORABLE ECONOMIC PROJECTIONS FOR SUCH A TIDAL POWER PLANT HAVE BEEN THE HIGH COST AND DIFFICULTY OF CONSTRUCTION, AND THE INTERMITTENT NATURE OF THE TIDES, WHICH WOULD REQUIRE A LARGE STORAGE CAPACITY OR A BACK-UP CONVENTIONAL POWER STATION IF ONE WERE TO ASSURE A CONTINUOUS SUPPLY OF ELECTRICITY FROM THE TIDAL STATION. ANOTHER INTANGIBLE FACTOR IS THE PLANT LIFETIME, IF "SILTING-UP" IS AS

SERIOUS A PROBLEM AS IT HAS BEEN DESCRIBED TO BE.

7. ALTHOUGH THE ACTUAL REPORT OF THE PHASE I FEASIBILITY STUDY HAS NOT YET BEEN SEEN BY THE EMBASSY, IT WOULD BE SURPRISING IF SUCH A PROJECT WERE SHOWN TO HAVE OTHER THAN A MARGINAL ECONOMIC PAY-OUT. IN CONTRAST, IF THE POLITICAL AND ECONOMIC PROBLEM OF WHEELING POWER ACROSS QUEBEC WERE TO BE SOLVED, A CONVENTIONAL HYDROELECTRIC PLANT LOCATED IN NEWFOUNDLAND OR LABRADOR MIGHT BE EXPECTED TO DELIVER ELECTRICITY TO THESE MARITIME PROVINCES AT A MUCH LOWER COST THAN THE ELECTRICITY FROM A TIDAL POWER PLANT. IN EITHER CASE, PLANTS IN

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THE SIZE OF 1000 MWE PROBABLY WILL HAVE TO DEPEND
UPON THE SALE OF THEIR EXCESS ELECTRIC POWER OUTPUT
TO NEW ENGLAND.
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